DOCKET FILE COPY ORIGINAL

**Before the**
**FEDERAL COMMUNICATIONS COMMISSION**
**Washington, D.C. 20554**

RECEIVED

MAY 30 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

| | |
|---|---|
| In the Matter of<br><br>**IMPLEMENTATION OF THE LOCAL COMPETITION PROVISIONS IN THE TELECOMMUNICATIONS ACT OF 1996** | CC Docket No. 96-98 |

To: Common Carrier Bureau

**REPLY COMMENTS OF**

**NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS**
**GRAY PANTHERS**
**UNITED SENIORS HEALTH COOPERATIVE**
**UNITED HOMEOWNERS ASSOCIATION**
**NATIONAL HISPANIC COUNCIL ON AGING**
**NATIONAL TRUST/TRUSTNET**
**NATIONAL ASSOCIATION OF COMMISSIONS FOR WOMEN**
**NATIONAL COUNCIL OF SENIOR CITIZENS**

The undersigned parties ("Commenters") hereby submit these Reply Comments in response to the Commission's Notice of Proposed Rulemaking in Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, FCC 96-182 (released April 19, 1996) (the "Notice").[1]

[1] These Reply Comments are timely filed pursuant to the Notice.

No. of Copies rec'd 0+14
List ABCDE

Commenters consist of a variety of consumer interests, including rural, senior, and general consumers. Commenters have an interest in the methods the Commission uses toimplement the directives contained in the Telecommunications Act of 1996 (the "1996 Act").[2] In these Comments, Commenters emphasize that the Commission must implement the 1996 Act in a manner that does not overlook the ability of all consumers, including seniors, homeowners, people living in rural communities, people with disabilities and others, to continue to have access to telephone networks. Recognizing that universal service depends on access to the public telephone network, or networks, making the point of interconnection to the public network(s) a key nexus in defining and assessing telecommunications providers' universal service obligations.

After a careful review of the comments submitted by several parties we offer the following reply comments:

## I. PRICING ARRANGEMENTS SHOULD PROTECT THE LOCAL INFRASTRUCTURE.

In our original comments we urged the Commission to consider the impact of interconnection upon universal service. We stated that the Commission should implement interconnection and pricing regulations that assure incumbent providers are compensated for costs associated with interconnection, and are allowed the opportunity to earn a reasonable amount of funding to cover portions of their historic investments. Pricing of bundled and unbundled elements by incumbent

---

[2] Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, sec. 101 *et. seq.*

providers must, therefore, take into account both the forward costs of providing interconnection and the investments they have already placed on their public networks.

We note that several commenters [3] supported incremental costs for pricing network elements, that the costs to be measured for pricing interconnection charges be based on forward-looking economic costs. We disagree. We feel that the comments of the Alliance for Public Technology accurately suggests that the Commission "must also assure that the interconnections rules assure that there is a fair allocation of the joint and common cost to the interconnecting companies. It is only in this way that the Commission can avoid the potential for significant rate shock at the local level, while creating disincentives for facilities based competition. What must be done is to assure that a fully distributed cost model be used to assure proper cost allocation and contribution by those who interconnect to the public switched network."[4] We note that our position is also supported in the comments of the Ohio Consumers' Counsel where they stated: "Among the general principles OCC recommends is that prices be required to exceed long run service incremental cost (LRSIC). This will ensure that all services, all providers, and all consumers make contributions to the joint and common costs of the incumbents' local network."[5]

---

[3] AT&T, MCI, Sprint Comments CC Docket 96-98

[4] Comments of the Alliance for Public Technology, CC Docket 96-98, p.11

[5] Initial Comments Of The Office Of The Ohio Consumers' Counsel (part 1) CC Docket 96-98 page v.

Although a strategy of only considering incremental costs might initially lead to increased competition, before long, customers, and shareholders of the universal public network would be forced to subsidize the customers and shareholders of new entrants. This scenario would also discourage new capital investment by incumbent providers or cause investors to focus on high-competition, high-density areas. In time, the 94% telephone penetration rate, one of the nation's largest economic and social assets, could diminish significantly and the deployment of new services could be severely limited.

We feel that interconnecting companies should pay a reasonable fee for accessing the public network, based upon the costs incurred by the incumbent carrier in establishing, upgrading and maintaining the facilities.

## II. BILL AND KEEP MECHANISMS SHOULD BE AVOIDED

Some of the comments filed endorse interim federal and/or state mandates of "bill and keep" arrangements[6]. "Bill and keep" would allow new competitors to "bill" their customers for interconnection and "keep" the revenues. For the foreseeable future, practically all calls made by new competitors would use portions of the existing network. However, far fewer calls placed on the existing network would be connecting to new competitors. We feel that this "in-kind" approach would represent a massive subsidy from current residential customers to new, competing telephone companies as the revenue stream would favor new entrants and effectively bleed additional revenue away from the incumbent operators of the public switched network.

[6] AT&T comments p.69, MCI comments p.48, Sprint comments p. 87

Therefore, adopting this approach would seriously harm the ability of local phone companies to keep basic rates down for residential customers.

## III. ACCESS CHARGES SHOULD BE MAINTAINED FOR USE OF THE LOCAL NETWORK

In our original comments we suggested that the Commission should maintain the access charge system, which reimburses local carriers for use of their networks by other carriers and providers, at least until the Commission restructures the access charge system. Interexchange companies should not be allowed to avoid the access charge system by buying unbundled elements and rebundling those elements in a way that circumvents the access charges. Today, long distance companies pay "access" charges to local telephone companies for completion of long distance calls. These charges are set by the FCC to include a portion of the historic costs of building and maintaining the local network. Allowing long distance companies to circumvent reasonable access charges would, as our initial comments noted, undermine support for the local network.

Respectfully submitted,

Alieeann Hohlbruck

Aliceann Wohlbruck
Executive Director
**National Association of Development Organizations**
444 North Capitol Street, NW
Suite 630
Washington, DC 20001

Additional signers:

Dixie Horning
Executive Director
**Gray Panthers**
2025 Pennsylvania Ave. N.W.
Suite 821
Washington, D.C. 20006

Edmund H. Worthy, Jr., Ph.D.
President and CEO
**United Seniors Health Cooperative**
1331 H Street
Suite 500
Washington, D.C. 20005

Camille Failla-Murphy
President
**National Association of Commissions for Women**
1828 L Street, NW
Washington, D.C. 20036

Stephen Protulis
Executive Director
**National Council of Senior Citizens**
1331 F Street, NW
Washington, D.C. 20004

Jordan Clark
**United Homeowners Association**
1511 K Street, NW
Washington, D.C. 20005

Dr. Marta Sotomayor
President and CEO
**National Hispanic Council on Aging**
2713 Ontario Road
Washington, D.C. 20009

Dr. Garry A. Mendez, Jr.
Executive Director
**The National Trust/TrustNet**
7411 Riggs Road
Adelphia, Maryland 20783

Dated: May 30, 1996